

Day 2

MAYOR AND CITY COUNCIL 2010 PLANNING WORKSHOP MINUTES

Friday, February 19, 2010

**Newton City Hall – Council Chambers
Newton, North Carolina 28658**

Mayor Mullinax reconvened the recessed February 18, 2010 meeting and opened the scheduled annual Council Planning Workshop on February 19, 2010 – Day 2 with the following present: Mayor Robert Mullinax, Mayor Pro Tem Anne Stedman, Council Members Wayne Dellinger, Mary Bess Lawing, Bill Lutz, Tom Rowe, and Robert C. Abernethy, Jr.

City Manager Todd Clark, City Attorney Larry Pitts, City Clerk Bootsie Roberts, several Department Heads and members of the Management Team, and Steve Shelton, Senior Vice President, NCMAPA1 were also in attendance.

SESSION V – ELECTRIC UTILITIES:

1. Fundamentals of an Electric Utility

For the benefit of Council Members Lutz and Abernethy, Mayor Mullinax asked Director of Public Works and Public Utilities Doug Wesson to give a brief history of the City's electrical system as to where, when and how electricity gets to the home.

Mr. Wesson, with the assistance of a PowerPoint Presentation, provided a brief history of the City's electrical system highlighting where electricity comes from, how electricity is delivered, the components of the electric system, and the end user. He commented on the importance and responsibility of providing good customer service, as well as, gave a brief description and functions of several electrical service programs available to the customers, such as the Water Heater Rebate, High Efficiency Heat Pump Rebate, Energy Star Home Rebate, and the Commercial/Industrial RFP for Energy Efficiency Projects.

Mr. Wesson gave a cost analysis on electric use for average customers and mentioned how energy conservation marketing tools prepared by ElectriCities of NC the City's Public Information Office, as well as the news media, keeps the customers better informed on electric service money-saving tips.

Mr. Wesson praised the City's electric crew, though small in number, and said that they have accomplished many goals during the past year, especially their work with the electrical conversion projects. He said that the City developed a 10-Year Electric Conversion Plan in 2004, which included five phases, for an estimated cost of \$7,716,187. Mr. Wesson said that Phase I and Phase II are 100% completed with the exception of

downtown. Phase III is 80% completed, Phase IV is 35% completed, and Phase V is 10% completed. He said that a 1% electrical rate increase was recommended and approved for each to pay for debt service over the next ten years.

Mr. Wesson said that the City's electrical distribution consists of two 24kV stations, four 4kV distribution stations, and a new Jacob Fork Delivery Station that is now online and constructed by staff. Mr. Wesson said that the Staff maintains over 125 miles of electric lines, maintains 4,809 electrical poles, and the City provides electrical service to 4,806 customers. Mr. Wesson clarified several electrical terms such as kw (kilowatt), w (watt), and gw (gigawatt).

City Manager Todd Clark suggested that the Staff consider having a training session on electric terms identifications in the future, to allow the Council to receive a better understanding of the electrical terms when being discussed or when explaining an electrical situation to a customer.

Mr. Wesson continued his presentation and explained the requirements for the Senate Bill 3 projects (Renewable Energy and Energy Efficiency Standards), as well as the process to apply for renewable energy grants or electric rebates programs sponsored by ElectriCities of NC. He said that the City has participated in several rebate programs, which are awarded according to the best programs from member cities.

Mayor Mullinax said that the Staff has advertised the Energy Efficiency Programs sponsored by the City for residential customers in the newspapers and the citywide newsletter.

2. Report from ElectriCities – Steve Shelton

City Manager Clark noted that there are two power agencies, the North Carolina Municipal Power Agency 1 and the North Carolina Municipal Power Agency – East, and that the City of Newton is a member of the NCMPA 1. He introduced Steve Shelton, Senior Vice-President of ElectriCities of NC, who has been involved with ElectriCities of North Carolina for 29 years. City Manager Clark said that he, several Staff members, and Council Member Wayne Dellinger meet with ElectriCities representatives monthly in Charlotte to keep abreast of all the electrical changes, and welcomed Mr. Shelton to the annual Council Planning Workshop.

Mr. Shelton used a PowerPoint Presentation to accompany his presentation on the history of ElectriCities of NC and its relationship with the City of Newton and other utility agencies throughout North Carolina. Mr. Shelton said that more than 2,000 communities across the country provide their own electricity services, including the City of Newton which owns its electrical system. Mr. Shelton mentioned that the City of Newton's electric system was established in 1896 and currently has 4,806 electric customers, with approximately \$11 million total electric budget.

Mr. Shelton said that the City of Newton is a vibrant City and has done great things for its citizens/customers. He continued his presentation by providing a chronological

history of the establishment and renaming of the power agency to ElectriCities to recognize the need for a unified voice for public power. He gave brief summaries on why power agencies were created, changes impacting the power agencies, participants in the power agencies, financial information about the power agencies, current credit ratings, etc.

Mr. Shelton explained the N.C. Renewable Energy requirements mandated by the North Carolina Senate Bill 3 passed in 2007, which includes new renewable energy and energy efficiency standards that affect residential, commercial, and industrial customers.

Mr. Wesson commented that the City of Newton's Renewable Energy and Energy Efficiency Standards Programs are currently in effect.

Mr. Shelton used charted information to illustrate what impacts energy prices, as well as, the pending challenges with utility operations, legislative mandates, and the global economy. He said that electricity demand is down nationwide, that the revenues are dropping and the expenses are rising. Mr. Shelton said that the North Carolina Municipal Power Agency 1 budget is \$507 million and highlighted the percentages of total revenues and total expenses, as well as, the Duke Energy rate increases versus the City of Newton/ElectriCities. He said that ElectriCities is recommending a 9.0% wholesale electric rate increase for the next four years to be passed onto the cities. Mr. Shelton said that based on the current situation, it could be within three years.

Mayor Mullinax asked why ElectriCities could not help the cities absorb some of the cost increases. Mr. Shelton explained the NCMAPA1 Budget of \$507 million and how difficult it would be to absorb some of the 9.0% increase that would be passed on the cities with the causes being debt, decline in participant sales, decline in market sales, decline in interest earnings, and increase in other expenses. He said that ElectriCities will have an audit prepared soon and would know more once that process is completed.

Mayor Mullinax said that the Council appreciates ElectriCities, Sanford Holshouser, and others who are trying to save the City money, but people are hurting and cannot pay these high rates.

Council Member Dellinger asked if a decrease in the electric rates would be seen after the debt is gone. Mr. Shelton said that there should be a substantial rate decrease by 2018 after the debt is gone.

Council Member Mary Bess Lawing said that the City could not keep absorbing the electric rates because the surplus funds will not be available because sometimes the Electric Fund has to subsidize other funds.

Mr. Shelton said that ElectriCities is trying everything it can do to hold the cost down. He said the City of Newton absorbs the increases by its own decisions, but noted the ElectriCities Rate Committee will have a rate study meeting in March and will try very hard to lower the percentage.

Mr. Shelton said in closing that the City of Newton, in the long term, is in a good

position. He said that the City provides many benefits to its customers, has reliable power, quick power-restoration programs, and has competitive electric rates. Mr. Shelton said that the City's long-term outlook is great, but with short-term relief.

Mayor Mullinax thanked Mr. Shelton for his presentation and for his attendance.

SESSION VI – FINANCE DEPARTMENT REPORT:

1. Current Fiscal Year Performance: Non-Budgeted Expenditures/FY 2009-2010 Overview and Review of Fund Balance; Current Indebtedness

Finance Director Serina Hinson reported on the General Fund for Fiscal Year Ended June 30, 2010. She said that the Ad valorem taxes are \$248,950 to the good.

Mayor Mullinax asked about the sales tax collection. Mrs. Hinson said that there is a shortfall in sales tax revenue of approximately \$400,000. Sales tax revenues are received two months after incurred. The December collection payment is expected any time.

Mrs. Hinson continued with providing a brief summary of each item in the General Fund for Fiscal Year ending June 30, 2010, which included the amounts, budgeted and projected. There was a lengthy discussion on the Fund Balance being used to balance the budget, as well as being recommended that at least three to four months of funds stay in the General Fund. Mrs. Hinson stated that the Staff has identified expense cuts to help offset shortfall from sales tax.

Mrs. Hinson said that the Water and Wastewater Fund for Fiscal Year ending June 30, 2010 is still in the RED. She said that there has been an operational shortfall of \$180,744. She said that the projected revenues for water and sewer charges are down \$403,754 due to decreased water consumption and approximately 100 less water customers than last year, as well as unanticipated maintenance repairs on the emergency clear well issue, and the Burris Road Pump Station Project. She mentioned that Energy United's water consumption is down as well by 10%.

Mrs. Hinson said that the Electric Fund is slightly under target with the revenues and expenditures. She said that \$929,255 would revert to retained earnings at June 30, 2010; however, it is made up of \$420,100, which was established for future debt and future reserves; and, the transfer amount of \$514,900 from the Z F Capital Project, which is now closed and will reflect within the General Fund. She said that the \$929,255 looks very attractive, but only \$201,355 is from operations.

Mrs. Hinson gave brief highlights on the Powell Bill Fund stating that Powell Bill revenues continue to decline. Revenues are under budget by \$39,282; however, Staff has identified expense cuts to offset shortfall. Powell Bill revenues are \$48,413 or (11% less) than Fiscal Year 2008-2009. She said it is difficult to anticipate revenues for the Federal Asset Seizure Fund due to the nature of those funds, that there is no consistency with the Federal Asset Seizure Fund. She said that the Health Fund is projected to have revenues

in excess of expenditures in the amount of \$51,088. The Unrestricted Fund Balance projections ending June 30, 2010 for the General Fund is 26.3%.

Mrs. Hinson said that the Fund Equity is for the Water and Wastewater Fund and the Electric Fund to be built up. She highlighted the existing debt service for a ten-year period in the General Fund; the Water and Wastewater Fund, and the Electric Fund, showing the principal and interest, the existing obligations, and the cumulative decline in each and the explanations supporting the issues.

City Manager Clark said that he and the Staff have looked at ways to help save money, distributed information listing the departmental amounts, and gave a brief summary of each.

Mayor Mullinax asked that the Staff look at other ideas where cutbacks could be made.

Council Member Mary Bess Lawing said that there was some discussion about not opening the pool and she hoped this would not be considered, that the pool provides activities that would not have been available for everyone.

Mayor Mullinax said that there are things that have been recommended by the Staff, and that services may have to be cut, but this would be the Council's decision.

City Manager Clark highlighted the Staff savings, as well as mentioned several existing obligations, especially the Burris Road Pump Station Project. He said that it is a desire that the City receives grant funding to help with the Burris Road Pump Station Project.

Council Member Bill Lutz said that there are going to be tough decisions to make.

2. Water and Sewer Minimum Rate Adjustments

Mayor Mullinax said that he is concerned about the fixed income and low income citizens regarding the water and sewer rates and has been trying to find ways to help them.

City Manager Clark said that there are several types of rate structures and utility rate options that the Staff would like to share with the Council and said that Mrs. Hinson would make that presentation.

Mrs. Hinson said that there are several rate structures which consist of the following:

- Uniform Charge – the unit price does not change as the customer consumes more or less
- Increasing Block Charge – the unit price increases as the customer uses more (used to encourage water conservation)

- Decreasing Block Charge – the unit price declines as the customer consumes more
- Seasonal Uniform Charge – supports large seasonal consumption

Finance Director Hinson noted that most water and wastewater utilities use the same rate structure for residential, commercial and industrial customers. She mentioned Base Charges which contribute to revenue stability and do not vary from month to month, regardless of consumption. She added that 99% of water and 96% of wastewater rate structures have a base charge; generally the larger utilities have smaller base charges than smaller utilities. She mentioned the City's large water users as being the Catawba County Justice Center, Catawba Valley Knitting, and Flowers Foods.

Mrs. Hinson presented three fixed rate options and gave a brief description of each which was:

1. **Option 1** – Fixed rate water consumptions based on the first 2,000 gallons for inside residential, commercial, and industrial customers
2. **Option 2** – Fixed rate charges based on no water consumption for residential, commercial, and industrial customers
3. **Option 3** – Fixed rate water consumptions based on the first 1,000 gallons for inside residential, commercial, and industrial customers.

Mayor Mullinax thanked Mrs. Hinson for the wealth of information that she presented and her report.

3. **Expense Reduction and Revenue Enhancement Proposal**

Finance Director Serina Hinson distributed information to the Council on the Expense Reduction and Revenue Enhancement Proposal, and gave a condensed bio on Mr. Robert Segal CPA PA and introduced him to the Council.

Mr. Segal gave a brief summary of his experiences, references, and added that he is the only CPA firm in North Carolina devoted exclusively to non-personal expense reduction and revenue enhancement consulting performed on a contingent-fee basis. Mr. Segal said that he is an independent consultant with specific ways to research for savings through such resources such as banking services, copy services, gasoline and fuel costs, NC sales and use tax, etc.

Mr. Segal said that he is paid a percentage of the actual savings, refunds, or credits for a period of time based upon the recommendations that is fully implemented. Mr. Segal said that the Council does not have to accept his recommendations. Mr. Segal said that he would work unobtrusively while performing most of his work here and using his own resources, not the City's. Mr. Segal said that if he does not find anything, he would leave the premises.

Mayor Mullinax asked how this process would work with the City's Purchasing Agent. Mr. Segal said that the Purchasing Agent may not have the time needed to put this research in process, that it could take a substantial amount of time to recover funds for the City.

Council Member Wayne Dellinger asked how many days did Mr. Segal thought it would take to do the research. Mr. Segal said that it would take two days at the most to determine any real savings, and that 95% of his recommendations to other governments have been approved and implemented, but reiterated that the Council did not have to accept his recommendations.

Mayor Mullinax thanked Mr. Segal for his report and thanked him for attending the annual Council Planning Workshop.

FIVE-MINUTE BREAK

Mayor Mullinax reconvened the 2010 Council Planning Workshop and called upon Human Resources Director Teresa Laffon to make her presentation on Performance Measures.

SESSION VII – ADMINISTRATION:

1. Performance Measures

Human Resources Director Teresa Laffon reported that she would like to re-introduce the Performance Measures, as a much needed management tool. She said in these economic times, more governmental agencies are beginning to develop performance measures and utilizes them in a budgetary manner. Mrs. Laffon said that this is the seventh fiscal year of full data collection for all programs. She said Performance Measures are used in several departmental annual reports.

Mrs. Laffon said that Performance Measures are designed to (1) enhance accountability, (2) improve customer service, and (3) provide information for management oversight and measure the results. Mrs. Laffon reviewed the format used for the performance measures, which reveals the scale of operations, and measures the effectiveness and the efficiency, using raw data to track the process of services. She said that although performance measures can indicate areas that may need attention, they will not identify the reason a program is performing that way or how it can be improved.

Mrs. Laffon noted that the cities are fortunate to have David Ammons on staff at the School of Government. She said that Mr. Ammons has written the ICMA Living Performance Measurement and is instrumental in promoting the North Carolina Measurement Study, which is the most popular and best in the nation. Mrs. Laffon said that seventeen (17) cities use performance measures and the City of Hickory is one of the cities. She said that the City of Newton and the City of Hickory have been able to cross-measure data. Mrs. Laffon said that there have been several key personnel changes;

therefore, the Performance Measures need to be updated to be accurate with the changes, as well as, would create opportunities to re-train the Staff to accommodate the changes and which is one of the Human Resources Department's future goals.

Mayor Mullinax asked if the Performance Measures provide data sheets for each department, and Mrs. Laffon said that there are three data sheets for each department, except for Administration.

City Manager Clark said that this presentation is to provide information and to advise the Council of the Staff's efforts to improve job performances and is a part of the Staff's goals and objectives.

Council Member Mary Bess Lawing asked about Staff training, and Mrs. Laffon said that there are training opportunities for the Staff through the School of Government per Mr. Ammons information, and at no cost to the City.

2. Report on 2010 Census

Planner Ben McCrary gave an update on the effort the City of Newton is taking with the 2010 Census. He presented his information in a timeline manner, which includes the following bullets:

- The local Census Job Recruitment - Created 1,500 Census jobs, regionally
- Will receive Census Questionnaire by March 15-17, 2010
- Census Day - April 1, 2010
- Census Follow-Up – Summertime – Projected to create 22,000 statewide Census jobs

Mr. McCrary said that the main issue is "Why do we take the Census?" He said that there are numerous reasons which include, (1) Congressional redistricting, (2) Appropriation of funds for specific programs, (3) Planning efforts, and (4) Geographic information to keep up with people for each decade.

Mr. McCrary reviewed the TIGER Accuracy Program which is a mapping program designed to compare county, city, and federal data to collect proper addresses and update other required geographical information. He said that the City maintains annual reports such as Boundary and Annexation Surveys to track the City's boundaries and additional land/structures, and New Construction Surveys used to track permits. Mr. McCrary said that the Staff has been very proactive in their efforts to promote the Census process. He further stated that the 2010 Census information has been promoted and information has been placed in several public facilities (especially City Hall), on the City's website, as utility bill stuffers, public speaking by Mr. Pattishall at several events, Census Group exhibit at the 2010 Unity Day Celebration, and through the local media to get the word out.

Mr. McCrary mentioned several programs such as "Census in the Schools," will have forms in the schools for the students to fill out, as well as, information centers would be set up to fill out the forms. Mr. McCrary said that Catawba County received \$10,000 in

grant funds, of which the City of Newton received \$2,500. He said that the Staff used the funds to purchase Census promotional items. Mr. McCrary said that the average Census response for North Carolina Census is currently 64% and that count is very important because for every percent recorded, equates to \$80,000,000 nationwide and out of that amount, and every percent increase for the City of Newton is estimated at \$100,000.

Mayor Mullinax asked if Mr. McCrary knew how many jobs would be available in the City of Newton. Mr. McCrary said that this number would be determined upon the results of the Census report. He also said that the total count would be given in December 2010.

Council Member Robert C. Abernethy, Jr. commented that he was told that there has been a low response in people applying for jobs with the Census; nevertheless, he asked if there were specific areas that the City could encourage people to respond to for the Census. Mr. McCrary said that the process that has been used is considered a “shotgun” approach and that the Census Bureau has its own means to obtain the information that is needed.

3. Graffiti Policy

Planning Director/Assistant City Manager Glenn J. Pattishall reported that the presence of graffiti in the City of Newton has become a topic of discussion. He said that the discussions raised the possibility of gang activity in the areas where the graffiti was seen. City Manager Clark authorized the Staff, along with the assistance of the City Attorney, to draft recommendations on how to effectively handle graffiti problems and present it to the Council. Mr. Pattishall noted that in the research on addressing the graffiti problem, it became evident that prompt and thorough removal of the graffiti would be the most effective enforcement and deterrent of the problem.

Mr. Pattishall said the quicker the response to remove the graffiti, the quicker it is known that the City is on top of things to get it removed. He reviewed a proposed “Graffiti Removal Policy” which is an accepted practice, but without the force of law, and a proposed “Graffiti Ordinance,” which has the effect of law and can be enforced legally.

Mr. Pattishall said after thorough research, that neither the City of Conover nor the City of Hickory has graffiti removal policies, but the City of Hickory is in the process of drafting a graffiti ordinance. Mr. Pattishall said that several cities throughout the State have policies and/or ordinances. He said that the Staff recommends the Council to consider a policy and an ordinance for the following reasons, (1) having a policy in place, gives the City a tool to gain the cooperation of property owners, (most of the time innocent property owners and victims), and would allow the City to respond quickly without having to follow due process that is normally in an ordinance, and (2) having an ordinance will provide the City with a legal mechanism for those people that do not respond or give the City permission under a policy to remove the graffiti. He said having both would ensure that graffiti would ultimately be removed, most likely under the policy because of the cost savings aspect.

Mr. Pattishall said that his research revealed that the City of Raleigh does not have

an ordinance, but a has a very effective policy. Also, Pilot Mountain uses a policy and the City of Concord uses an ordinance and both cities have indicated that their choice in graffiti removal enforcement has been very effective.

Mayor Pro Tem Anne Stedman said that she likes the combination of a policy and ordinance, and a time factor should be included. She said it was told to her that there are active gangs in Newton and when a member sees the graffiti, they think of it as “home” and feel welcome, so the longer the graffiti is there, the more likely the gang members will come there – the quicker it is removed, the better.

Council Member Robert C. Abernethy, Jr. said that he has concerns with the public knowing, after they have been contacted to remove the graffiti from their property in a specified period and they have not complied, then they would let the City Staff remove the graffiti and they would do nothing. He said that he realizes that it is an issue and thanked the Staff for addressing the issue.

Council Member Wayne Dellinger said that the Council should decide how much money to put in place for the service if the policy is approved or split the cost for clean up with the property owner for removal of the graffiti, such as the property owner would provide the materials or product to clean-up and the City would provide the labor.

Mr. Pattishall said that the decision of splitting the cost is a Council decision, but the main issue is if the Council would like to include money in the graffiti removal policy.

There was a brief discussion on the City of Hickory’s delay in adopting their ordinance, but Police Chief Brown said that Hickory is dealing with the same issues.

After a brief discussion, Mr. Pattishall recommended that the Council consider the proposed policy and to amend the existing Nuisance Ordinance to include the additional language to provide the appropriate basis for Council to declare graffiti a nuisance and to use the provisions in the Nuisance Code for removal quickly and effectively. Mr. Pattishall said that the policy would cover both public and private properties, and stated that the Staff has provided the policy and ordinance for further review and future consideration.

Mayor Mullinax said that the graffiti issue would be considered for further discussion and as **a future agenda item**. He recommended that when the issue is discussed again, that the definition of graffiti be the same in the policy as in the Nuisance Ordinance.

4. Departmental Goals and Objectives for 2010

City Manager Clark presented a listing of the Goals and Objectives developed by the Department Heads for the coming year to be reviewed on a monthly basis. He asked the Council to review the listing and anything that needed to be added to please let him know.

City Manager Clark said that the Goals and Objectives became his goals and objectives. He said that the listing is attainable goals and objects, which the Department

Heads have developed as a team effort. He said that he and the Department Heads will do the best they can to reach these goals and asked the Council to review and make suggestions. City Manager Clark said that he and the Staff will do whatever the Council directs.

Mayor Mullinax said that the Council will review the listing and during the next two meetings, City Manager Clark and the Staff will receive input from the Council. He thanked City Manager Clark and the Staff for preparing the goals and objectives.

5. Budget Priorities – City Council Discussion

City Manager Clark asked the Council to discuss with him and/or Finance Director Serina Hinson, any concerns they might have about the budget priorities.

Mayor Mullinax asked City Manager Clark to explain the timetable that he and the Staff is on in preparing for the budget, not budget workshops - for the Council to understand the budget priorities.

City Manager Clark said that for the last two weeks, the Staff has been preparing for the 2010 Annual Council Workshop. Now it is time for the Staff to prepare for their budgets, which are due the first week in March. He said that the Staff needs the Council's guidance regarding their concerns about the budget.

In clarification, Mayor Mullinax asked the Council to present to the City Manager any concerns that they would have before the budget is completely prepared. He said that the City Manager and Staff are looking for guidance from the Council and if they have anything they would like to discuss with the City Manager, to please do so.

6. Hot Topics in Congress and the Legislature

City Manager Clark distributed information from the North Carolina League of Municipalities, which is considered "Hot Topics" from the North Carolina General Assembly. He said that he attended the City/County Manager's Conference at which Ellis Hankins, NCLM Executive Director, presented information that the League is seeing developed that will affect the cities. He said that the main concern of the League is that the State will hold sessions trying to figure out how to balance the budget and take action to hold State Collected Local Government revenues.

Mayor Mullinax said that there was a reason why the City of Newton hosted the Legislative reception in order to prepare our ability to communicate with all of the Legislators during the upcoming sessions. He encouraged the Council to read the information provided by the City Manager and as bills are introduced, a Council Member may be asked to make telephone calls or go to Raleigh to represent the City.

Adjournment:

Mayor Mullinax thanked the Council for their attendance and said that the Council will incorporate topics discussed and/or not discussed on upcoming Council agendas, and thanked City Manager Clark and his Staff for all the work they did in preparing for the workshop. There being no further business to discuss, Mayor Mullinax adjourned the 2010 Annual Council Planning Workshop.

**SUPPORTING INFORMATION IS ON FILE
IN THE OFFICE OF THE CITY CLERK**

Respectfully submitted by:

Robert A. Mullinax, Mayor

Beunice R. Roberts, CMC/City Clerk